



City Of Newport News

Virginia 23607

Office Of The City Manager

April 13, 2001

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Mr. James O. McReynolds
Administrator
York County
224 Ballard Street
Yorktown, Virginia 23690

Dear Mr. McReynolds:

The City of Newport News has explored the prospect of returning minor league baseball to the Peninsula. We have engaged a professional baseball consultant, Howie Bedell, and an architect to provide preliminary conceptual design of a stadium. We have studied estimated acquisition, development and construction costs; generated numerous cash flow and financing models; negotiated with the proposed franchise owner, Ken Young, the essence of a lease and revenue-sharing model. This model would involve a taxable bond debt service and stadium operating expenses. We have also identified a preferred site and negotiated the best possible land acquisition cost, and assisted Howie Bedell in his marketing efforts to assess the interest of our private and corporate citizens in baseball.

The result of these efforts to date is our conclusion that there is an interest in returning baseball to this area as evidenced by the corporate and citizen response. To meet this interest, the proposed Stadium encompasses approximately 5,000 seats in a 105,378 square foot structure plus approximately 1,200 additional berm seating. The Stadium includes forty-one luxury suites. Currently, Mr. Bedell has non-binding reservations for thirty-two suites generating approximately \$700,000 in annual lease revenues. A local automobile dealership has expressed a strong interest in the Stadium naming rights at \$200,000 per year for ten years.

The preferred site is a 26-acre parcel of the former Eveready Battery site between Jefferson Avenue and the CSX tracks in the Oyster Point section of the City owned by Developer Robert L. Freeman, Jr., who has expressed an interest in selling land for the Stadium as a part of his *Port Warwick* mixed-use development. The City has negotiated the lowest possible acquisition price at \$150,000 per acre. This price is consistent with a recent MAI real estate appraisal.

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The Stadium land development, construction and 1,667 surface parking lot cost estimates were initially developed by Sports Facilities Design Network of Lynchburg, Virginia and Austin, Texas, and have been reviewed by a local general contractor. The total cost of \$18.3 million includes land acquisition of \$3.9 million, site development and parking costs at \$2.1 million, and Stadium construction costs at \$12.2 million. Construction period interest and bond issuance costs indicate a total taxable bond of \$19.3 million. Debt service is estimated to be approximately \$1,660,000 per year.

The Class A franchise would be owned by Ken Young, owner of the Class AAA Norfolk *Tides*. Mr. Young has indicated a total investment of \$7 million in this effort to include the \$5 million cost of the franchise and \$2 million in the electronic scoreboard and restaurant equipment.

Under the current baseball revenue-sharing model, the City would receive 65%, or \$650,000, of the luxury suite lease payments annually; Stadium taxes estimated at \$300,000 per year; annual parking revenues estimated at \$236,000; Stadium naming rights estimated at \$200,000 per year and Christopher Newport University lease payments of \$25,000 per year. Total revenues are currently estimated at \$1,411,000 per annum and escalate 2% per annum.

The City would be responsible for 50% of the annual utilities estimated at \$50,000; annual exterior structure and parking area maintenance estimated at \$75,000 and insurance and capital reserves estimated at \$50,000 annually. Total operating expenses are estimated at \$175,000.

Currently there is a deficit between estimated revenues and debt service and operating expenses of \$424,000 per annum. I am prepared to recommend to the City Council that we support baseball in the amount of a one-time commitment of \$260,000 towards the surface parking costs, that the City make an annual commitment of \$250,000 towards the debt service and operating expenses, and that the City support the bond through a general obligation payment agreement.

This still leaves an annual payment "gap" of \$175,000. In a meeting on April 12th, we discussed the concept of "per-capita" participation by the neighboring communities.

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Based on a total population of 274,400 citizens, there would be a contribution as follows based on a \$0.64 per-capita calculation ($\$175,000 \div 274,400$):

	<u>Population</u>	<u>Contribution</u>
Hampton	146,437	\$93,390
Poquoson	11,566	\$ 7,377
James City County	48,102	\$30,677
Williamsburg	11,998	\$ 7,652
York County	56,297	\$35,904

It is obvious that baseball is not an undertaking that will produce a direct economic return on our investment. Baseball is a quality of life issue for us. As always, as cities and counties, we seek ways to improve the quality of life, not only for our own citizens, but for all residents of the Peninsula. Our communities have several prominent museums and public and private golf courses. However, minor league baseball offers an inexpensive family entertainment experience as well as a meeting place for businesses with its food courts, restaurant, luxury suites and video arcade. It provides unique group outing opportunities and promotes community camaraderie at affordable prices. It is a venue for entertaining employees, important clients and prospects.

While baseball will not be a revenue generator, or income-producing asset, its value lies in the improvement in the quality of life for our citizens. Ken Young shared with us such uses of the stadium as a Boy Scout overnight camp-out after an evening game. There are opportunities for events such as carnivals, outdoor concerts and vintage car shows. The *Tides* organization sponsors fund-raising opportunities for area high school baseball teams with the top fund-raising teams rewarded by playing a game on the professional field as a part of a regularly scheduled minor league home game. We all have a number of Little League and American Legion teams which could join in using the Stadium along with the high schools and Christopher Newport University. Other localities, such as Myrtle Beach, have found that baseball complements the local tourism industry.

While we all need to be realistic and look at our resources, I submit that having professional baseball is not just about sports. It means so much more to our communities. I believe that great cities and counties are more than just streets, curbs and gutters. Great communities have community centers, senior centers, zoos, universities, bike trails and much more. A high quality of life is a main reason companies with good-paying jobs locate to our communities. High quality of life is a reason people choose to live here. Quality of life means our children can find good jobs here and call the Peninsula "Home".

Mr. Sanford B. Wanner
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I ask you to give careful consideration to the return of professional baseball and to solicit the participation of your Council or Board of Supervisors in the financing of the Stadium in the annual amounts outlined in this letter. If possible, I would greatly appreciate your feedback by May 10, 2001.

As you know, the status of Newport News' position on this matter is subject to City Council review and approval. It is my intention to discuss baseball with Council at its May 22nd meeting. Thank you for your interest and participation in returning baseball to our communities.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed", written in a cursive style.

Ed Maroney
City Manager

EM:ndw

